GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:50
ANSWERED ON:17.10.2008
REPAYMENT OF LOAN
Botcha Lakshmi Smt. Jhansi

Will the Minister of FINANCE be pleased to state:

(a) whether farm debt waiver package announced in 2008-09 Budget has affected the discipline of timely repayment of loans by borrowers;

(b) whether defaults on farm equipment loans have also risen in the wake of farm loan waiver scheme; and

(c) if so, the steps taken by the Government to take care of banks, legitimate commercial interests for providing fresh loans to farmers?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) & (b) : There is no specific report, which shows that the implementation of Agricultural Debt Waiver and Debt Relief (ADWDR) Scheme, 2008 has affected the discipline of timely repayment of loans by farmers.

The ADWDR Scheme was brought out by the Government to improve the financial health of the rural financial institutions, particularly the Regional Rural Banks (RRBs) and Cooperative Credit Institutions (CCIs). Besides, the Government also intended to de-clog the line of credit to the farmers. A sizeable number of farmers, otherwise not able to access the institutional sources, are now in a position to do so.

(c) : The Government have taken the following steps to improve the liquidity position of the lending institutions generally and RRBs and CCIs in particular:

The Government will reimburse Rs. 25,000 crore to the lending institutions by October, 2008, Rs.15,000 crore in July 2009, Rs.12,000 crore in July 2010 and the remaining amount, if any, in July 2011.
In order to enhance the availability of concessional refinance to CCIs, the Government has set up a Short Term Cooperative Rural Credit (STCRC) Fund in NABARD with an initial corpus of Rs. 5,000 Crore. # NABARD has decided to extend refinance to the RRBs and CCIs extent of 75% of actual crop loan disbursed during Kharif 2008, as against 35% in earlier years.
NABARD has enhanced its refinance budget to RRBs and CCIs from Rs. 18,432 crore in 2007-08 to Rs. 21,500 crore in 2008-09.
NABARD has deferred the dues repayable by State Cooperative Banks upto 6 months.
The Government is providing interest subvention to RRBs and CCIs on liquidity support to be provided by NABARD during Rabi 2008-09. The rates of interest subvention are 3.5% p.a. for RRBs and 4.5% p.a. for CCIs.